

## Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-06 INR-05 CIAE-00 PM-03 SP-02

OES-02 PRS-01 NSC-05 NSCE-00 ARA-06 AF-04 EA-06 EUR-08

SAM-01 L-01 SSO-00 IO-03 OIC-01 INRE-00 /072 W

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 815

INFO USMISSION OECD PARIS

S E C R E T SECTION 1 OF 2 TEHRAN 2877

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E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: HOST GOVERNMENT POSITIONS FOR CONSUMER/PRODUCER CONFERENCE

REF: A. TEHRAN 2698 B. STATE 58837

1. SUMMARY: EMBOFF MET MARCH 30 WITH MOHAMMED YEGANEH, CBI GOVERNOR AND HEAD OF GOI DELEGATION TO APRIL 7 PREPCON, TO REVIEW GOI POSITIONS ON ISSUES TO BE DISCUSSED AT PREPCON AND FOLLOW-UP TALKS. ACCORDING YEGANEH GOI VIEWS CONFERENCE AS BILATERAL DC/LDC TALKS IN ACCORDANCE WITH OPEC SOLEMN DECLARATION, BUT HOPES THIS ISSUE CAN BE FINESSED IN NON-CONFRONTATIVE WAY. GOI POSITIONS ON MOST PROPOSED AGENDA ITEMS ARE FAMILIAR. MAIN SURPRISE IS GOI VIEW, AS STATED BY YEGANEH, THAT FOLLOW-UP TALKS MUST SERIOUSLY TACKLE PROBLEM OF "STABILIZATION AT REMUNERATIVE LEVELS" OF PRICES OF OTHER RAW MATERIALS. APPEARS GOI HAS INDEED ADOPTED VIEW SIMILAR TO ALGERIAN ONE ON THIS SSUE. END SUMMARY.

2. PETOFF CALLED ON CBI GOVERNOR YEGANEH MORNING OF MARCH 30 TO DISCUSS CONSUMER/PRODUCER PREPCON ISSUES AS OUTLINED REF B.

FOLLOWING IS IN ACCORDANCE WITH FORMAT OF PARA 4, REF B:

I. PROCEDURAL ISSUES: YEGANEH NOTED THAT GOI HAS SUBSCRIBED TO OPEC "SOLEMN DECLARATION" WHICH DEFINES CONFERENCE AS BI-LATERAL

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ONE BETWEEN DC'S AND LDC'S. HE INDICATED THAT ANY EFFORT TO GROUP

DC AND LDC OIL CONSUMERS TO PRESSURE OPEC WOULD NOT REPEAT NOT BE CONDUCIVE TO MAINTAINING ATMOSPHERE OF "COOPERATION, NOT CONFRONTATION" NECESSARY IF CONFERENCE IS TO SUCCEED. HE INDICATED, HOWEVER, THAT HE BELIEVED SOME "NEUTRAL DESIGNATION" SHOULD BE ADOPTED FOR FOLLOW-UP CONFERENCE (HE MENTIONED "JOINT INTERNATIONAL CONFERENCE" AS EXAMPLE) TO AVOID UNNECESSARY DIVISIVE CONNOTATIONS.

-ATTENDANCE: YEGANEH SAID GOI FLEXIBLE ON ATTENDANCE AT FOLLOW-UP CONFERENCE. HE SAID "SOME COUNTRIES" HAD SPOKEN OF INCREASING NUMBER OF PARTICIPANT COUNTRIES TO 17 (SEVENTEEN). QUERIED AS TO WHOSE SUGGESTION THIS WAS, HE REPLIED, "SAUDI ARABIA, I THINK, AMONG OTHERS". AMONG OPEC MEMBERS, HE SAID, NIGERIA AND IRAQ ARE PARTICULARLY INTERESTED IN ATTENDING, AND GOI WOULD BE INCLINED TO SUPPORT THIS. IF IEA IS TO BE INVITED AS OBSERVER, HE THINKS OPEC WILL WANT TO ATTEND IN SAME CAPACITY AND THAT LDC'S MAY WANT TO INCLUDE ANOTHER ORGANIZATION, PERHAPS UNCTAD. HE SAID IRAN WOULD SUPPORT IDEA OF INVITEES BEING DESIGNATED BY REGIONAL OR OTHER INTERNATIONAL ORGANIZATIONS, SUCH AS ECAFE, ECLA, GROUP OF 77 AND SO ON. IN SUCH A CASE, HE SAID, INVITEES WOULD REPRESENT CONSTITUENCIES RATHER THAN BEING PRIVILEGED FEW SELECTED BY SMALL CLIQUE OF NATIONS. A CONFERENCE OF 17 NATIONS AND 3 INTERNATIONAL ORGANIZATIONS, HE FELT, WOULD STILL BE OF MANAGEABLE SIZE, BUT LIST SHOULD NOT BE ALLOWED TO GROW TOO MUCH BEYOND THAT: "A CONFERENCE OF A HUNDRED DELEGATIONS OBVIOUSLY WOULD NOT WORK."

-FORMAT: YEGANEH INDICATED GOI HAD NOT THOUGHT THIS THROUGH IN DETAIL, BUT INDICATED HIS PERSONAL PREFERENCE FOR A PROCEDURE IN WHICH CONFERENCE WOULD APPOINT COMMITTEES TO STUDY SUCH DISTINCT SUBJECTS AS OIL/ENERGY, AID AND INVESTMENT, OTHER COMMODITIES AND RAW MATERIALS, THE MONETARY SYSTEM, AND SO ON. PETOFF COMMENTED THAT YEGANEH APPEARED TO ENVISION PROCEDURE SIMILAR TO THAT FOLLOWED BY IEA, WITH VARIOUS COMMITTEES SUBMITTING REPORTS AND RECOMMENDATIONS TO GOVERNING BOARD FOR FURTHER DISCUSSION AND APPROVAL.

YEGANEH NODDED IN APPARENT AGREEMENT, BUT EMPHASIZED THIS WAS SIMPLY HIS OWN VIEW.

-LOCATION, CHAIRMANSHIP AND DATE: YEGANEH INDICATED THAT GOI WAS FLEXIBLE ON THESE ISSUES AND HAD NOT GIVEN THEM MUCH THOUGHT. HE MENTIONED GENEVA AND PARIS AS POSSIBLE LOCALES, BUT EVIDENCED NO STRONG PREFERENCES EXCEPT THAT PLACE SHOULD BE REASONABLY "NEUTRAL." HE EXPRESSED PREFERENCE, TOO, FOR "NEUTRAL" SORT OF SECRET

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CHAIRMANSHIP, BUT OFFERED NO SUGGESTION. WITH REGARD TO THE DATE, HE SAID HE FELT FOLLOW-UP MEETING SHOULD BE CONVENED WITHIN A MONTH OR SO AFTER PREPCON.

II. CONSUMER ISSUES: AS REPORTED IN PARA 3, REF A, YEGANEH'S LETTER TO AMBASSADOR EXPRESSED GOI AGREEMENT WITH AGENDA ITEMS IDENTIFIED BY IEA. IN GENERAL YEGANEH EMPHASIZED GOI'S COMMITMENT TO "COOPERATIVE APPROACHES" TO ALL ISSUES LISTED. HE REVIEWED IRAN'S INITIATIVES IN RECOMMENDATIONS FOR MULTILATERAL AID, WHICH

HAD NOT GAINED POSITIVE REACTION FROM DC'S. HE NOTED IRAN HAS MADE AID AGREEMENTS WITH NUMEROUS COUNTRIES AND SAID IRAN ESPECIALLY INTERESTED IN HELPING WITH FOOD/FERTILIZER PROBLEMS. HE SAID IRAN'S INVESTMENT AND AID POLICIES ARE RELATED TO IRAN'S NEEDS: FOR EXAMPLE, IRAN WOULD LIKE TO INVEST IN AUSTRALIAN MEAT PRODUCTION BECAUSE IRAN NEEDS GREATER MEAT SUPPLY. (FYI, AUSTRALIAN EMBASSY TELLS US THAT 50-50 JOINT GOI-GOA VENTURE ALREADY APPROVED; PROJECT CALLS FOR \$26 MILLION INVESTMENT TO RAISE SHEEP AND EXPORT MUTTON TO IRAN.) IRAN'S INVESTMENT IN KRUPP WAS MOTIVATED BY DESIRE TO ACQUIRE TECHNOLOGY, AND INVESTMENT IN PANAM (WHICH HE DESCRIBED AS A LOSING ENTERPRISE) WAS FOR PURPOSE OF AIDING DEVELOPMENT OF IRAN AIR. LIKEWISE, HE SAID, WE WANT TO AID INDIA TO DEVELOP IRON ORE AND BAUXITE WHICH IRAN NEEDS. HE NOTED GOI INTEREST IN INVESTMENT IN ALTERNATE ENERGY SOURCES, AS EVIDENCED BY PURCHASE OF CONVENTIONAL NUCLEAR REACTORS AND INVESTMENT IN EURODIF. HE SAID IRAN ALSO LOOKING AT POSSIBILITIES FOR INVESTMENT IN MORE EXOTIC ALTERNATIVES AND IS PARTICULARLY INTERESTED IN PARTICIPATION IN DEVELOPMENT OF SOLAR ENERGY. ON THE WORLD OIL/ENERGY SITUATION, SECURITY OF SUPPLIES AND MARKETS AND OIL PRICES, GOI POSITIONS, HE SAID, REMAIN AS THEY HAVE BEEN STATED REPEATEDLY: OIL IS A DEPLETING RESOURCE THAT MUST BE CONSERVED, THUS THE PRICE MUST REMAIN AT AN "APPROPRIATE LEVEL." IN THIS CONNECTION IRAN HEARTILY SUPPORTS CONSUMERS' RECENT MOVES TO CONSERVE OIL AND TO SUPPORT DEVELOPMENT OF ALTERNATIVES. IRAN CONTINUES TO SUPPORT IDEA OF INDEXING OIL PRICE, SAID YEGANEH, "AS DO ALL OPEC MEMBERS (SIC) WITHOUT EXCEPTION." IRAN BELIEVES OPEC SHOULD GUARANTEE TO CONSUMERS JUST AS MUCH OIL AS THEY "NEED," BUT NO MORE; IRAN REJECTS EQUALLY THE IDEA OF MANIPULATION OF PRODUCTION BY THE PRODUCERS (AS IN EMBARGOS) OR BY THE OIL COMPANIES WHO MAY HAVE BEEN TRYING TO DRIVE DOWN PRICES OR HARM OPEC UNITY IN RECENT SITUATION IN ABU DHABI. OIL SUPPLY AND DEMAND, IN IRAN'S VIEW MUST BE BALANCED, SO THAT THERE IS NO SHORTAGE FOR CONSUMERS BUT NO EXCESS TO CREATE DOWNWARD PRESSURE ON PRICES.

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IN CONNECTION WITH FINANCIAL/INVESTMENT ISSUES, PETOFF RECALLED VISIT OF EXIM BANK PRESIDENT CASEY, AND EXIM'S INDICATION TO GOI THAT IT HAD IN HAND NUMEROUS THOROUGHLY ANALYZED ECONOMICALLY-SOUND PROJECTS THAT IT DID NOT HAVE FUNDS TO FINANCE. YEGANEH SAID OPEC/EXIM OR OPEC/IBRD COOPERATION IN FINANCING SUCH PROJECTS WOULD BE EXCELLENT SORT OF COOPERATION, BUT INDICATED THIS SHOULD BE OF GREATEST INTEREST TO LARGE-SURPLUS STATES, PRINCIPALLY SAUDI ARABIA AND KUWAIT. HE COMMENTED THAT USG INFLUENCE WITH SAUDIS IS MOST IMPORTANT AND SUGGESTED WE SHOULD TRY TO INTEREST THEM IN MORE INTERNATIONAL COOPERATION OF THIS SORT. HE CHARACTERIZED SAG AS "TOO INWARD LOOKING--ONLY CONCERNED ABOUT FIRST ARABS, THEN MUSLIMS."

III. YEGANEH SAID GOI DOES FEEL QUESTION OF OTHER RAW MATERIALS SHOULD BE TACKLED SERIOUSLY AT FOLLOW-UP CONFERENCE, THOUGH HE INDICATED THERE ARE DIFFERENCES OF OPINION IN GOI ON THIS MATTER. HIS VIEW IS THAT CONFERENCE SHOULD SEEK MEANS OF STABILIZING PRICES OF COMMODITIES AROUND "REMUNERATIVE LEVELS." HE INDICATED GOAL WOULD BE TO FIND MEANS OF REDUCING SHORT-TERM FLUCTUATIONS IN RAW MATERIAL PRICES RATHER THAN FIXING THEM AT A GIVEN LEVEL. HE MENTIONED THAT HIS EGYPTIAN COUNTERPART IS NOW VISITING AND THAT EGYPT WORRIED BECAUSE PRICE OF COTTON HAS RECENTLY FALLEN BY 50 PERCENT--"THESE POOR COUNTRIES CANNOT PLAN IN SUCH A SITUATION," SAID YEGANEH. PETOFF NOTED IT SEEMED HIGHLY UNLIKELY USG COULD GET CONGRESSIONAL APPROVAL FOR ANY INTERNATIONAL AGREEMENT INVOLVING SCHEME TO "STABILIZE" PRICES OF LARGE NUMBER OF COMMODITIES.

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YEGANEH NOTED USG HAD MORE EXPERIENCE THAN MOST AT INTERVENING IN MARKETS FOR NUMEROUS COMMODITIES TO STABILIZE PRICES. HE MENTIONED US AGRICULTURAL POLICY DURING MOST OF CENTURY AND SAID ONE OF GOALS AND EFFECTS OF PRICE SUPPORTS HAD BEEN TO "EQUALIZE RURAL AND URBAN INCOME." HE SUGGESTED THAT DISCUSSION OF RAW MATERIALS' PRICE STABILIZATION MIGHT SEEK SIMILAR GOAL THROUGH SIMILAR MEANS (SUPPORT PRICES, STOCKPILING, ETC). AT SAME TIME, YEGANEH AGREED RAW MATERIALS ISSUE A DIFFICULT ONE AND SAID GOI DID NOT WANT FOLLOW-UP TALKS TO BREAK UP IN CONFRONTATION OVER THIS ISSUE. HE

PRESUMED, NEVERTHELESS, THAT LDC'S WOULD DEFINITELY WANT RAW MATERIALS TO BE DISCUSSED. PETOFF UNDERSTANDING WAS THAT YEGANEH FELT "STUDY COMMITTEE" APPROACH DESCRIBED ABOVE MIGHT OBIVIATE IMPASSE OVER RAW MATERIAL ISSUE. IN ANY CASE, SAID YEGANEH, THIS IS LDC INTEREST AND BALANCED AND FAIR CONFERENCE MUST DEAL WITH IT; EACH PARTY'S CONCERNS MUST BE FACED. YEGANEH AGAIN WARNED AGAINST ANY EFFORT TO GENERATE COMBINED LDC/DC PRESSURE AGAINST OPEC. THIS, HE SAID, WOULD BE A BAD ATTITUDE, HARMFUL TO NEEDED SPIRIT OF COOPERATION. REITERATING GOI'S SUPPORT OF INDEXATION OF OIL PRICES, YEGANEH NOTED THAT POSSIBILITY OF "GRADUAL INDEXATION" HAS BEEN PROPOSED WITHIN OPEC, BUT NOT FORMALLY ADOPTED. RE "CONFRONTATIONAL POSTURING," YEGANEH COMMENTED MOST EMPHATICALLY THT RECENT STATEMENTS OF PRESIDENT FORD AND SECRETARY KISSINGER (ON POSSIBILITY OF MILITARY ACTION) HAD CREATED GREAT ILL FEELING AND SERIOUSLY HARMED ATMOSPHERE OF COOPERATION. HE STRESSED, HOWEVER, THAT THIS WAS NOT THE CASE IN IRAN, BUT RATHER "AMONG ARABS." ON THE CONTRARY, HE SAID, IN RECENT OPEC MEETINGS AND OTHER CONTACTS IRAN HAS DONE ITS BEST TO CALM AND PLACATE ARABS, ASSURE THEM THAT STATEMENTS NOT SERIOUS AND NOTHING TO WORRY ABOUT.

IV. EXPECTATIONS AND GENERAL STRATEGY: YEGANEH INDICATED HOPE THAT IF FOLLOW-UP TALKS SUCCESSFUL, THEY MIGHT MOVE TOWARD SUMMIT MEETING OF PARTICIPATING NATIONS. HE SEEMED TO ENVISION SUCCESS" AS TAKING FORM OF "JOINT DECLARATIONS" OR "AGREEMENTS IN PRINCIPAL. ON SUCH MATTERS AS SECURITY OF SUPPLY, MANAGEMENT OF INTERNATIONAL FINANCIAL IMBALANCES AND SO ON, BUT DOUBTED TALKS COULD REACH FORMAL INTERNATIONAL AGREEMENT OR AGREEMENTS OF TREATY STATUTE.

3. YEGANEH SAID IRANIAN DELEGATION TO PREPCON WILL CONSIST OF HIMSELF, A DR RASHIDI, WHO IS AN ADVISER TO GOI OPEC REP AMOUZEGAR; HASSAN IZADI, NIOC'S HEAD OF INTERNATIONAL MARKETING; DR M A MOVAHED, NIOC LAWYER AND COORDINATOR OF INTERNATIONAL AGREEMENTS;

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MR GHAREDAGHIPOUR, CENTRAL BANK EXPERT IN INTERNATIONAL ORGANIZATIONS AND INTERNATIONAL CAPITAL MOVEMENTS; AND A REPRESENTATIVE OF THE FOREIGN MINISTRY, POSSIBLY TO BE DETAILED FROM THE IRANIAN EMBASSY IN PARIS.

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## Message Attributes

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